

Policy Option: Premium Assistance Implementation

Enhancement 4/4: Premium Assistance Implementation

Description: Senate Bill 11 authorized KHPA to pursue development of a premium assistance program for low income families. The 2007 Legislature added \$1.0 million to the KHPA FY 2008 budget to begin implementation of premium assistance. Enrollment in the participating health plans will begin for the first families eligible for premium assistance in January 2009. This will require funding for the assistance offered to families, contract amendments for eligibility determination and enrollment in health plans, and additional staff resources within KHPA.

Background: Premium assistance uses state and federal Medicaid funds to subsidize the purchase of private health insurance, either through employer sponsored health insurance or through a state procured private health insurance plan. Some states are moving toward this model to encourage low-income families to participate in private health insurance coverage, shore-up the private coverage market and prevent crowd-out, and achieve cost savings by bringing in employer contributions to help offset costs.

Premium assistance in Kansas will be phased in over four years, with a “legislative trigger” to evaluate the program and ensure that adequate funding is available. It will be implemented in two ways:

- Competitively bid state-procured health plans: For low-income uninsured families, Medicaid (state and federal share) would pay for premiums for state-procured private health insurance to be offered to low-income children and their parents. Because children eligible for Medicaid are required by federal law to receive certain services, the private insurance plans would be supplemented by “wrapping around” private health insurance coverage with Medicaid benefits.
- Employer-sponsored insurance (ESI) buy-in: For low-income uninsured parents who have access to employer sponsored private health insurance, Medicaid would pay the employee share of the health insurance premium for families, and then, “wrap around” children’s coverage with fee for service Medicaid.

The phase in of premium assistance is scheduled to begin with families under 50.0 percent of the federal poverty level in January 2009. Current Medicaid eligibility only covers adults up to 37.0 percent of the federal poverty level.

During FY 2008, KHPA will develop the specifications for the health plans, eligibility criteria, and the necessary Medicaid state plan amendments to implement premium assistance. Three staff positions were included in the FY 2008 budget to develop and manage the program, including eligibility and payment system changes, outreach and enrollment materials, and program manuals.

For FY 2009, the following table describes the planned expenditures during FY 2008 and the additional resources needed to begin implementation in FY 2009.

Administrative costs for premium assistance		FY 2009
HIPPS (Health Insurance Purchase Program)		350,000
Eligibility Contractor -- KHPA		500,000
Enrollment in health plans through the MMIS system. (new staff and volume)		650,000
EQRO costs based on 1 added plan		600,000
State eligibility Clearinghouse staff (4 FTE)		195,000
Managed Care State Staff (2 FTE)		65,000
Non-recurring from FY 2008		(285,000)
TOTAL		\$ 2,075,000
SGF		\$1,037,500

This request includes \$1.5 million in additional contractual payments to the fiscal agent and Clearinghouse contractors to evaluate families' eligibility for premium assistance or the employer health insurance buy in program, assist families in connecting to the most appropriate health insurance product, and enroll in the selected health plan. The cost of monitoring and evaluating the quality and performance of additional health plans will cost an additional \$600,000 and needed MMIS changes to make payments and capture encounter data will cost \$300,000. The enhancement request also includes salary for additional state staff at the Clearinghouse to determine eligibility and 6 months of salary for Managed Care program staff to provide oversight of the new health plans.

Population Served: 8,500 low income parents.

Cost Estimate: \$2,560,000, including \$1,280,000 from the State General Fund, for contract changes, administrative costs, and half year salaries for 6.0 state FTE positions.

Based on Mercer's recent projections, the cost of premium assistance for new eligibles (the expansion population) for FY 09 is estimated to be \$10 million: \$4million SGF and \$6 million Federal.

Considerations:

- Implementation of Premium Assistance is subject to Legislative approval and annual appropriation.

- The base funding approved for FY 2008 stays in the KHPA budget and does not require ongoing approval.
- The assistance cost for premium assistance during FY 2009, when the program is implemented in January 2009, will be captured during the Consensus Caseload Estimate in November 2007.

Staff Recommendation: Include administrative costs to implement premium assistance as an enhancement for FY 2009.

Board Action: On August 20, the KHPA Board directed staff to include the cost of assistance in the budget enhancement. (Cost estimate has been updated for September board meeting)